

De.mem announces strategic acquisition in Tasmania

Highlights:

- De.mem signs binding share purchase agreement to acquire 100% of leading Tasmanian water and waste water treatment systems business Pumptech Tasmania Pty Ltd (“Pumptech”).
- Strong strategic rationale for the acquisition including geographic expansion, further penetration of target customer verticals, product portfolio expansion, cross-sell opportunities, economies of scale, cost synergies and earnings accretion.
- The acquisition further expands De.mem into the strategic food & beverage segment and further geographically diversifies its revenue base across Australia.
- The consideration will be A\$1.05 million, comprising A\$900,000 in cash with A\$450,000 immediately payable followed by three deferred cash payments over 36 months plus A\$150,000 in DEM shares (subject to 12-months escrow).
- The Pumptech founders will join the De.mem senior management team.

29 July 2019: Australian-Singaporean water and waste water treatment company De.mem (ASX:DEM) (“De.mem” or “the Company”) is delighted to announce a binding share purchase agreement to acquire 100% of Pumptech Tasmania Pty Ltd (“Pumptech”).

Pumptech Business Overview

Pumptech is a leading provider of water and waste water treatment systems in Tasmania. Its main product lines include membrane-based and other water and waste water treatment systems, as well as hydraulic and mechanical equipment.

Established in 2000, Pumptech has a long operating history. Its clients include the Tasmanian utility company TasWater, a range of municipalities and a number of large corporations from the food & beverage sector and other industries in Tasmania and Victoria.

Transaction Summary

Pumptech reported unaudited revenues for the 12 months ended 30 June 2019 of approx. AUD\$2.5 million, and a normalised EBITDA of approx. A\$200,000. The revenues are largely recurring, comprising a large number of sales of equipment and consumables to the existing, long-term customer base of Pumptech.

The transaction is valued at approx. 5x normalized EBITDA. The consideration will be A\$1.05 million, payable as follows:

- A\$900,000 in cash with A\$450,000 immediately payable, followed by three deferred payments of A\$150,000 each payable in 12, 24 and 36 months respectively from the completion date of the transaction.

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- A\$150,000 in DEM shares based on the average share price during the last 30 days prior to the completion of the transaction (subject to 12-months escrow), to be issued immediately.

The transaction will be funded through existing cash reserves. The Company intends to issue the new shares without shareholder approval under its existing Rule 7.1 capacity.

Mr. Grant Petterwood and Mr. Graham Van Essen, Executive Directors and founders of Pumptech Tasmania Pty Ltd, will retain their roles at Pumptech and become members of the leadership team at De.mem.

Strategic Rationale

There is strong strategic rationale for the acquisition including geographic expansion, further penetration of target customer verticals, product portfolio expansion, cross-sell opportunities, economies of scale, cost synergies and earnings accretion.

Geographic and customer segment expansion: The transaction provides De.mem with further geographic expansion into the South East Australian water treatment market and penetration into the target food & beverage customer vertical, which has a strong presence in Tasmania and Victoria.

Fast penetration of the Food & Beverage industry in South East Australia: With its established customer base in particular in the food & beverage segment, Pumptech will provide a platform for an accelerated roll out of De.mem's solutions into this important target industry. This is of particular interest as De.mem's proprietary membrane based products have wide application in this sector.

Recurring revenues: Pumptech's revenues are largely recurring, comprising a large number of sales of equipment and consumables to its existing, long-term customer base.

Accelerated revenue growth by "Cross-Selling": The transaction creates a business with an integrated product offering providing the opportunity to cross-sell products - in particular De.mem's superior, proprietary membrane technology. The extended product range makes it possible to address a wider range of customer needs, across a wide range of customer segments.

Earnings accretive: Pumptech has a long operating history and has been consistently profitable. The integration of Pumptech into the De.mem Group will accelerate De.mem's path to achieving operating cash flow break even.

Management Commentary

Andreas Kroell, CEO of De.mem: "The acquisition of Pumptech Tasmania Pty Ltd is another milestone achieved for De.mem. With its established client base, Pumptech provides a strong platform for growth into Tasmania, South East Australia, and the food & beverage industry. With a strong, recurring revenue base, we see a great opportunity to service Pumptech clients with a wider product and solutions portfolio, leveraging the wider De.mem group's capabilities and technology. It is a great opportunity for accelerated growth as De.mem works to become a leading supplier for water and waste water treatment equipment across Australia."

Grant Petterwood, Managing Director of Pumptech Tasmania Pty Ltd: "We are delighted to conclude the transaction with De.mem and are committed to working with the Board and Management of De.mem to deliver their strategic initiatives in the decentralised waste water treatment systems sector. De.mem's innovative membrane technologies and wide product range are a key differentiator in the market. They provide for an



attractive addition to the existing product offering of Pumptech. We look forward to jointly expanding the combined business in Tasmania and across Australia.”

-ENDS-

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De.mem Limited (ASX:DEM) is an Australian-Singaporean decentralised water and wastewater treatment business that designs, builds, owns and operates turnkey water and wastewater treatment systems for some of the world’s largest companies in the mining, electronics, chemical, oil & gas, and food & beverage industries. Its systems also provide municipalities, residential developments and hotels/resorts across the Asia Pacific with a reliable supply of clean drinking water and modern sewage treatment technologies.

De.mem’s technology to treat water and wastewater is among the most advanced globally. The Company has commercialised an array of innovative proprietary technologies from its research and development partner, Nanyang Technological University (NTU) in Singapore, a world leader in membrane and water research. Technologies exclusively licensed from NTU include a revolutionary low-pressure hollow fibre nanofiltration membrane that uses less electricity and is cheaper to operate than conventional systems, as well as a new Forward Osmosis membrane deployed in de-watering applications or the concentration of liquids.

To learn more, please visit: www.demembranes.com

Forward Looking Statements

Statements contained in this release, particularly those regarding possible or assumed future performance, revenue, costs, dividends, production levels or rates, prices or potential growth of De.mem Limited, are, or may be, forward looking statements. Such statements relate to future events and expectations and, as such, involve known and unknown risks and uncertainties. Actual results and developments may differ materially from those expressed or implied by these forward-looking statements depending on a variety of factors.

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